1957
ANNUAL REPORT

NATIONAL BISCUIT COMPANY

The Year In Brief

	1957	1956
Net sales	$424,500,000	$410,500,000
Income from operations	45,700,000	42,800,000
Net income	22,100,000	20,300,000
Net income per dollar of sales	5.2 cents	4.9 cents
Net income per share common stock	3.18	2.90
Dividends declared		
Preferred stock—7%	1,700,000	1,700,000
Common stock	14,100,000	12,800,000
Per share of common stock	2.20	2.00
Net income retained in the business	6,300,000	5,800,000
Cost of plant and equipment additions	21,600,000	15,700,000
Current assets	92,000,000	95,100,000
Current liabilities	46,900,000	45,000,000
Working capital	45,100,000	50,100,000

NATIONAL BISCUIT COMPANY AND ITS CONSOLIDATED SUBSIDIARIES

Income and Other Statistics

DOLLARS IN MILLIONS
(Except per share figures)

Year	Net Sales	Income Before Federal and Foreign Taxes on Income	Provision for Federal and Foreign Taxes on Income	Net Income	Dividends Declared: Preferred Stock	Dividends Declared: Common Stock	Earnings Reinvested in the Business	Plant and Equipment Expenditures	Per Share Common Stock: Net Income	Per Share Common Stock: Dividends Declared
1948	$296.3	$36.5*	$13.8	$22.7*	$1.7	$12.6	$8.4	$16.8	$3.33*	$2.00
1949	294.4	36.4	14.7	21.7	1.7	12.6	7.4	20.3	3.17	2.00
1950	296.4	39.4	18.3	21.1	1.7	12.6	6.8	12.2	3.08	2.00
1951	329.9	33.2	17.0	16.2	1.7	12.6	1.9	17.8	2.30	2.00
1952	346.5	39.7	21.9	17.8	1.7	12.6	3.5	16.3	2.56	2.00
1953	359.0	40.8	22.7	18.1	1.7	12.6	3.8	9.8	2.61	2.00
1954	376.4	43.2	23.3	19.9	1.7	12.7	5.5	15.2	2.85	2.00
1955	389.6	39.2	20.9	18.3	1.7	12.8	3.8	18.1	2.59	2.00
1956	410.5	41.9	21.6	20.3	1.7	12.8	5.8	15.7	2.90	2.00
1957	424.5	45.7	23.6	22.1	1.7	14.1	6.3	21.6	3.18	2.20

DOLLARS IN MILLIONS
(Except per share figures)

Year	Current Assets	Current Liabilities	Working Capital	Plant and Equipment (Net)	Book Value Common Stock	Book Value Per Share Common Stock	Number of Shareholders	Cost of Employees' Services	Provision for All Taxes (Except Social Security)
1948	$ 91.4	$27.8	$63.6	$ 67.3	$109.1	$17.36	65,753	$ 94.0	$16.8
1949	89.6	31.9	57.7	81.8	116.5	18.53	64,579	101.4	17.8
1950	94.6	35.3	59.3	86.4	123.3	19.61	63,871	100.9	21.8
1951	89.0	38.0	51.0	96.4	125.2	19.91	66,682	114.1	20.5
1952	94.5	44.3	50.2	104.4	128.7	20.47	69,045	121.3	25.3
1953	95.2	43.8	51.4	105.7	132.5	21.07	69,961	126.4	26.3
1954	102.5	48.7	53.8	112.1	141.6	22.17	69,829	126.6	27.1
1955	94.8	46.5	48.3	120.1	145.3	22.76	70,281	130.3	25.0
1956	95.1	45.0	50.1	123.3	151.1	23.66	72,262	133.5	25.8
1957	92.0	46.9	45.1	133.0	157.4	24.64	75,603	135.6	28.1

* Includes extraordinary income of $1.4 million equal to 22 cents per share of common stock.

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ANNUAL SHAREHOLDERS' MEETING will be held at 2 P.M., April 9, 1958, in the Palm Terrace Suite of the Hotel Roosevelt, 45th Street and Madison Avenue, New York, N. Y. Shareholders who cannot attend the meeting are urged to exercise their right to vote by proxy. Proxy form, proxy statement, and a return envelope will be sent to shareholders on March 7, 1958.

NATIONAL BISCUIT COMPANY

425 PARK AVENUE, NEW YORK 22, N. Y.

Office of the President

To the Shareholders:

I am pleased to report that National Biscuit Company continued to show progress in 1957. This was our 60th year of operations and was featured by generally good business conditions and further gains in our sales and earnings. This letter will briefly summarize some of the significant high lights of our operations in the past year.

Sales continued the steady gains we have experienced for the last eight years and were the highest ever achieved. The successful introduction of several new products and the growth of our foreign subsidiaries were major factors in this increase.

Earnings also continued to rise, due for the most part to the greater sales volume and further realization of production economies in our newer bakeries. Higher earnings made possible an extra dividend paid in December.

Financially, the Company remains in a strong position. Net working capital at the end of the year amounted to $45.1 million.

Capital expenditures were up as we neared completion of our large-scale plant improvement program. The Fair Lawn Bakery began operations in January, 1958, and will be in full production in September. Heavy capital expenditures will begin a decline to normal levels in 1958.

Research activities, of prime importance to NABISCO's future, were stimulated by the completion of our new Research Center at Fair Lawn, New Jersey, in February, 1958. Our entire program of searching for better ways of making better products will be stepped up by the greatly improved facilities which are now available.

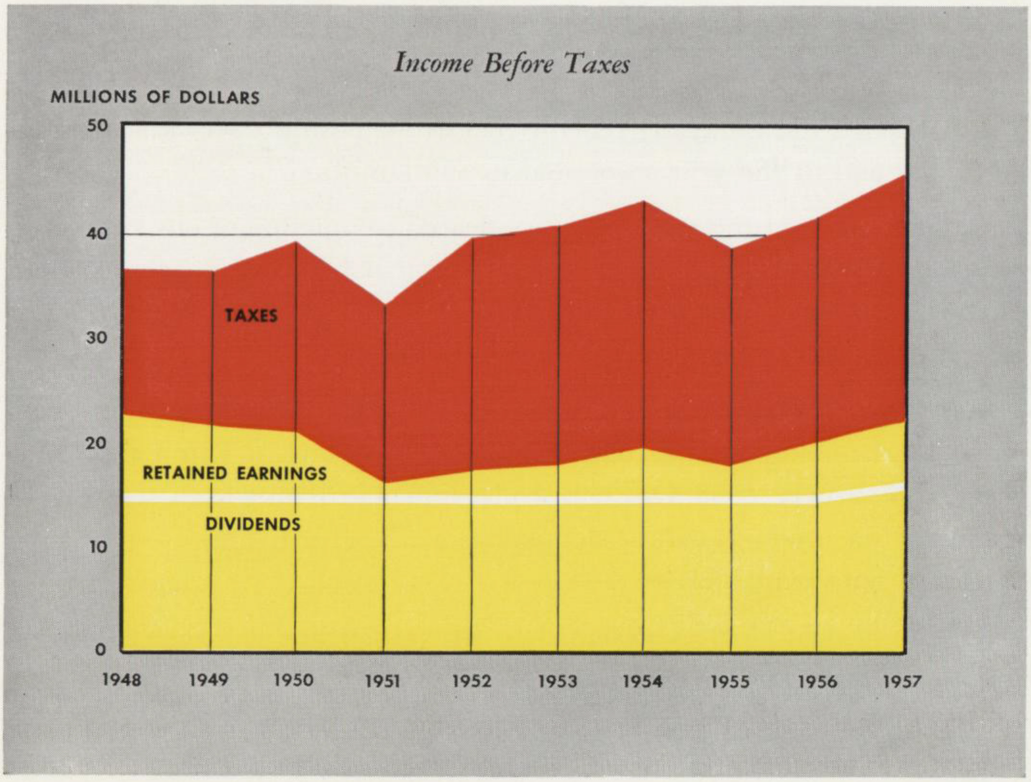
Organizational changes designed to strengthen our management structure were made in 1957. Key executives were relieved of administrative routine to make better use of their experience in policy making and planning, and to accelerate the development of succeeding echelons.

I would like to take this opportunity to express management's appreciation for the continued support of the shareholders and the wholehearted efforts of our employees in the past year.

The outlook for NABISCO in 1958 is favorable. Demand remains strong for consumer goods and food products and we do not anticipate any serious or prolonged economic setback. A steadily growing population, the addition of several new products, and the expansion of our operations abroad should make possible further sales and profit increases in the current year.

President

March 6, 1958



Earnings Higher

Net income for the year 1957 increased to $22.1 million, equal to $3.18 per share of common stock and 8.7 per cent higher than in the previous year. This increase was due largely to the augmented sales volume, but the increased efficiency of our modern bakeries and enthusiastic acceptance of several new cracker and cookie products also made a substantial contribution.

Although most of the increase in net income was derived from domestic operations, our subsidiary companies in Canada and in England contributed in total a larger amount than in any previous year.

The net income of the Company is influenced not only by the total volume of sales, but also by changes in production and distribution costs. In 1957 the net income per dollar of sales amounted to 5.2 cents as compared with 4.9 cents in 1956. This is a favorable and encouraging trend in a period when dwindling profit margins are a general business problem.

While the profits of our subsidiaries in Mexico and in Venezuela are not included in consolidated net income, these subsidiaries continued to earn a good return on our investment in those countries.

Record Sales Achieved

The record sales achieved in 1957 represented an increase of 3.4 per cent over the $410.5 million sales in 1956. Sales in each quarter increased over those of the comparable period in 1956 and are shown in the table below compared with results in the two previous years:

Net Sales by Quarters in Millions of Dollars

Quarter Ended		1957	1956	1955
March	31	$102.1	$100.5	$ 94.2
June	30	105.7	101.0	96.7
September	30	108.5	101.3	97.0
December	31	108.2	107.7	101.7
Total		$424.5	$410.5	$389.6

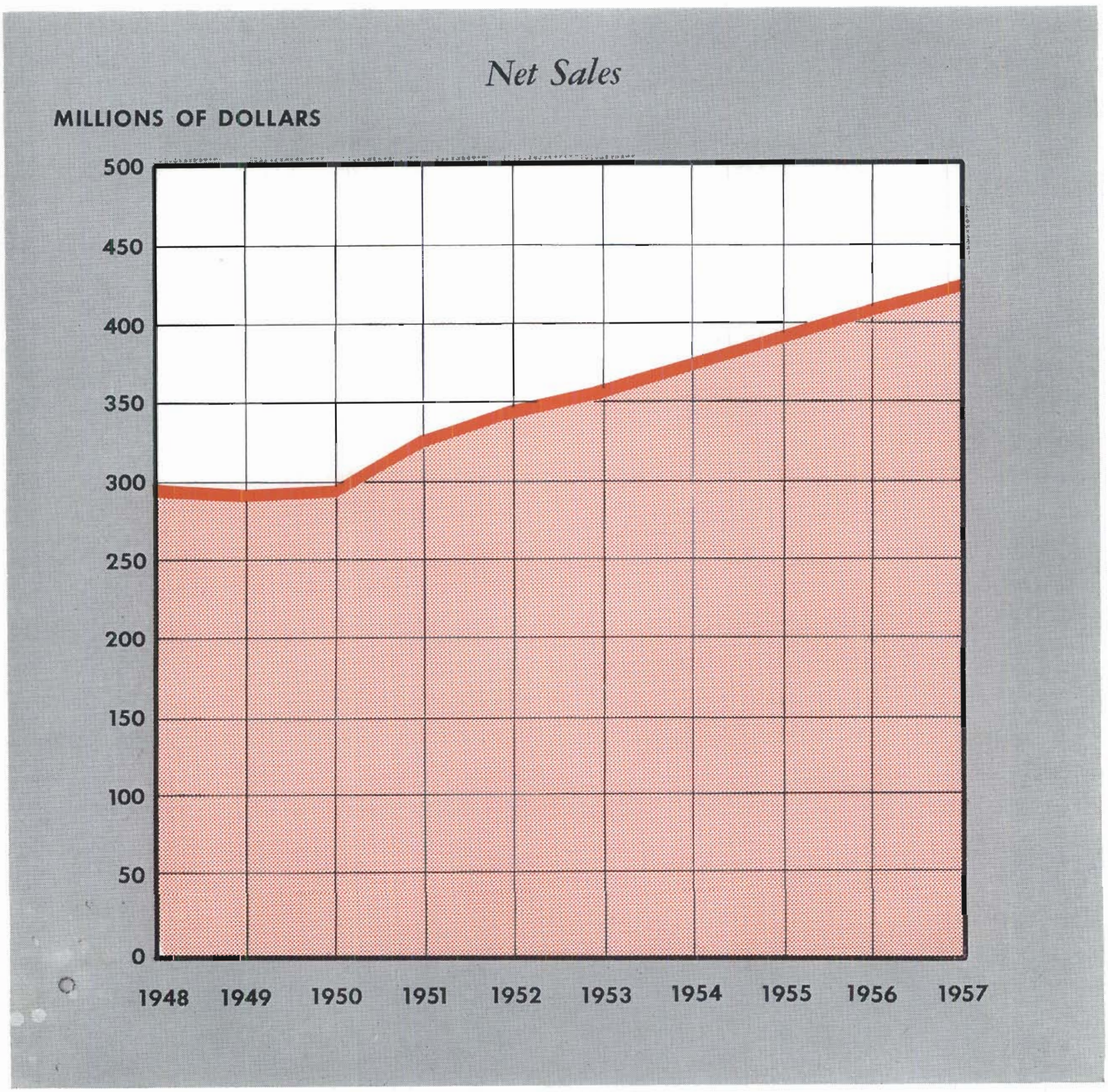
Successful selling in today's competitive market demands the closest integration of the Company's sales, marketing and advertising programs. The modern, self-service supermarket has provided many conveniences for the consumer, but it has made the sales job of the grocery manufacturer more complicated.

Our marketing personnel must be thoroughly acquainted with current consumer demand and preferences. In this respect, packaging and prices are just as important as the quality of the product itself. Advertising and promotion activities seek to acquaint customers with our products and attempt to "pre-sell" them on the Nabisco line and label. The field selling force must see that our goods are given favorable shelf position and displayed prominently in the stores.

The Company's 3,000 salesmen in the United States and Canada call on most of our 400,000 customers at least once each week. They must be more than simply sellers of Nabisco products; they must be qualified

to help move these same products out of the food stores, able to work with and for the store management so that our business is mutually profitable.

The efforts of our salesmen have been supported by products of excellent quality. We are constantly adding new, different and interesting varieties to meet changing consumer tastes. Our packages, designed by a combination of the talents of our own experts and those of leading outside consultants, are being improved continually to provide greater eye appeal and better product protection.



Late in the summer the Dromedary Division discontinued production of certain unprofitable cake-mix items. We are continuing the manufacture of the popular specialty mixes and the regular DROMEDARY line of dates, fruits and peels, pimientos and steamed breads. The profit position of this division has been materially improved.

The Company's entire sales program is sparked by forceful advertising and promotional activities. Nabisco advertising is kept as flexible as possible to bring the greatest support to regional and local selling campaigns. Magazines, newspapers, radio and television are used in varying combinations in different sections of the country to achieve the broadest coverage possible.

Working Capital

While net working capital declined $5.0 million during the year, the Company's financial position remains strong. Since 1946 the Company has spent $171 million for new plants and equipment. These funds came from operations and working capital except for $4 million borrowed in 1952 by a Canadian subsidiary. This loan had been reduced to $800,000 at December 31, 1957. Our modernization program is now substantially finished and we expect further capital expenditures to be within the amounts charged off as depreciation each year.

Cash and government securities totaled $23.5 million on December 31, 1957, as

Changes in Consolidated Working Capital

(All amounts are expressed in thousands of dollars)

	1957	1956	1955	1954	1953
RECEIVED FROM					
Sales of product	$424,499	$410,455	$389,628	$376,392	$359,018
Issuance of common stock	—	—	—	3,559	—
Interest and miscellaneous income (net)	309	153	110	110	328
	424,808	410,608	389,738	380,061	359,346
USED FOR					
Materials and services purchased	226,912	219,895	206,333	193,938	181,505
Wages, salaries and employee benefits	136,304	134,160	131,095	127,291	127,089
Taxes (except social security taxes)	28,130	25,839	24,956	27,114	26,287
Additions to plant and equipment	21,605	15,740	18,094	15,233	9,799
Dividends	15,785	14,508	14,508	14,460	14,315
Other (net)	1,043	(1,345)	297	(441)	(849)
	429,779	408,797	395,283	377,595	358,146
Increase or (decrease) in working capital	$ (4,971)	$ 1,811	$ (5,545)	$ 2,466	$ 1,200

compared with the $26.7 million on hand the year before. The additions to these funds and the uses thereof during the year were as follows:

Funds were added to the business

by the excess of net income for the year over dividends to shareholders, i.e., earnings retained in the business	6.3 million
from depreciation allowances during the year, which, while reducing earnings, do not represent an outlay of funds	11.2 million
by increased accounts payable liabilities	1.9 million
by increased tax liabilities	0.3 million
from disposal of assets no longer needed	0.6 million

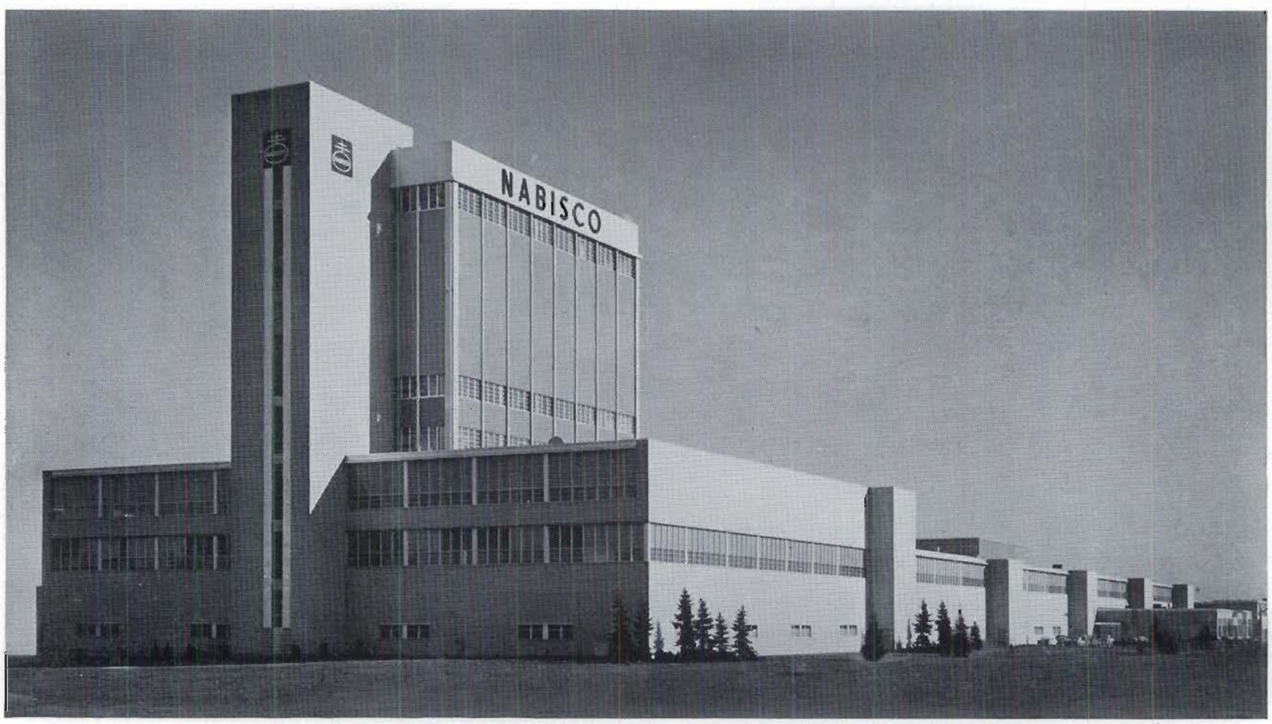
Funds were used

for investment in larger inventories and accounts receivable	0.7 million
for purchase of land, buildings and equipment	21.6 million
to reduce notes payable to bank (foreign)	1.2 million

Capital Improvements

During 1957 the Company spent $21.6 mil-

NABISCO'S *newest biscuit and cracker bakery at Fair Lawn, New Jersey, began production in January, 1958. The tower in the foreground is for the storage of raw materials.*



lion for capital improvements.

The year 1957 was high-lighted by the near completion of our new biscuit and cracker bakery at Fair Lawn, New Jersey. This bakery began producing in mid-January, 1958, and will be in full production by September.

The Fair Lawn Bakery follows the same lines, architecturally, as our other post-war bakeries. It is a low, sweeping building, dominated at one end by a tower, 170 feet high, for the storage of raw materials. The building, designed by Nabisco engineers, is situated on a 40 acre site about 200 feet off the highway. It is 1,275 feet long and has a floor area of about 750,000 square feet.

There are eight band-ovens in the bakery and sufficient space to install a ninth should the need arise in the future. Together these ovens will turn out approximately $60 million worth of Nabisco cookies and crackers a year.

Two railroad car sidings, one for receiving raw materials and one for shipping finished products, are completely housed within the bakery building, as are the truck docks. A pneumatic conveying system will be used to carry flour from bulk-railroad cars to the seventeen storage bins in the tower, and additional bulk handling equipment facilitates the movement of other major ingredients.

The Fair Lawn Bakery will supply merchandise to forty Company sales branch warehouses in New York, New Jersey and other eastern states. In addition, the bakery will also produce special items for wider distribution in this country and for export.

Our paper mill and printing facilities at Marseilles, Illinois are undergoing complete rehabilitation and modernization. Substantial progress was made during the year on this project.

The former cracker bakery at Buffalo, New York has been re-equipped for the manufacture of MILK-BONE dog food products. Production of MILK-BONE varieties was transferred during the year to this plant from an obsolete bakery in New York City, now closed.

A building purchased near Albany, New York has been equipped to provide our Albany bread bakery with an up-to-date plant.

The addition to the main building of our English subsidiary, Nabisco Foods Limited, was started in January, 1957, and is now approximately three-fourths completed. It is expected to be in operation by the end of 1958. This new addition will provide a necessary increase in production capacity and make possible a broadening of this subsidiary's line of products.

New Research Center

In February of 1958 the Company opened its new Research Center at Fair Lawn, New Jersey. The Center occupies a separate building adjacent to our new bakery at Fair Lawn and we believe it to be the finest facility of its kind in our industry.

The Company's research program is di-

vided, roughly, into three main categories: chemical research, mechanical development and new varieties. At Fair Lawn these activities will be carried on under the same roof for the first time. The necessity of close correlation of our efforts in these separate areas makes this physical advantage an important one.

The Research Center is a two-story structure of modern layout and design. The Chemical Research Laboratory will occupy the entire second floor, with additional equipment and greatly enlarged areas sufficient to accommodate double the present number of scientists and technicians. The laboratory, in addition to the present divisions (new products and processes, baking, quality control, paper research) will have a new and enlarged mixing division, created to aid inquiry into mixing techniques and practices.

The Mechanical Development Department will occcupy a portion of the first floor of the Research Center. A large modern machine shop, complete in every detail, together with greatly increased space for assembling and testing new equipment, has been provided. Included in this area are new facilities for the engineers, designers, and draftsmen engaged in improving our mechanical operations.

The remaining portion of the first floor area will be occupied by the New Varieties Division. This group will have a complete pilot bakery as its workshop, including a mixing department, fermentation room, cold storage area, dough handling and cutting equipment, a large 75-foot band oven, and a small packing table. This bakery in miniature will improve the most troublesome phase of new product development—the determination of whether a good idea can be practically adapted to modern production methods.

We believe the Fair Lawn Research Center will play an important part in the Company's future growth and progress. Generally speaking, research in our industry has not kept pace with the impressive advances made in other fields during recent years. The new Research Center, with its improved facilities for both fundamental and applied research, should go a long way toward narrowing this gap.

New Products Introduced

It is impossible to over-estimate the importance of new product development to the Company and its future growth. The increase in the number of available varieties, consumer enthusiasm for new items, and changing tastes and preferences have considerably reduced the life-expectancy of many food products. This is true of even the most familiar, long-established brands. The shopper in today's food stores is constantly on the lookout for new and improved products, foods which offer added convenience or service features, or something new in taste, flavor or texture.

All of this places a high premium on a marketing and research program which will insure a steady and orderly flow of new and

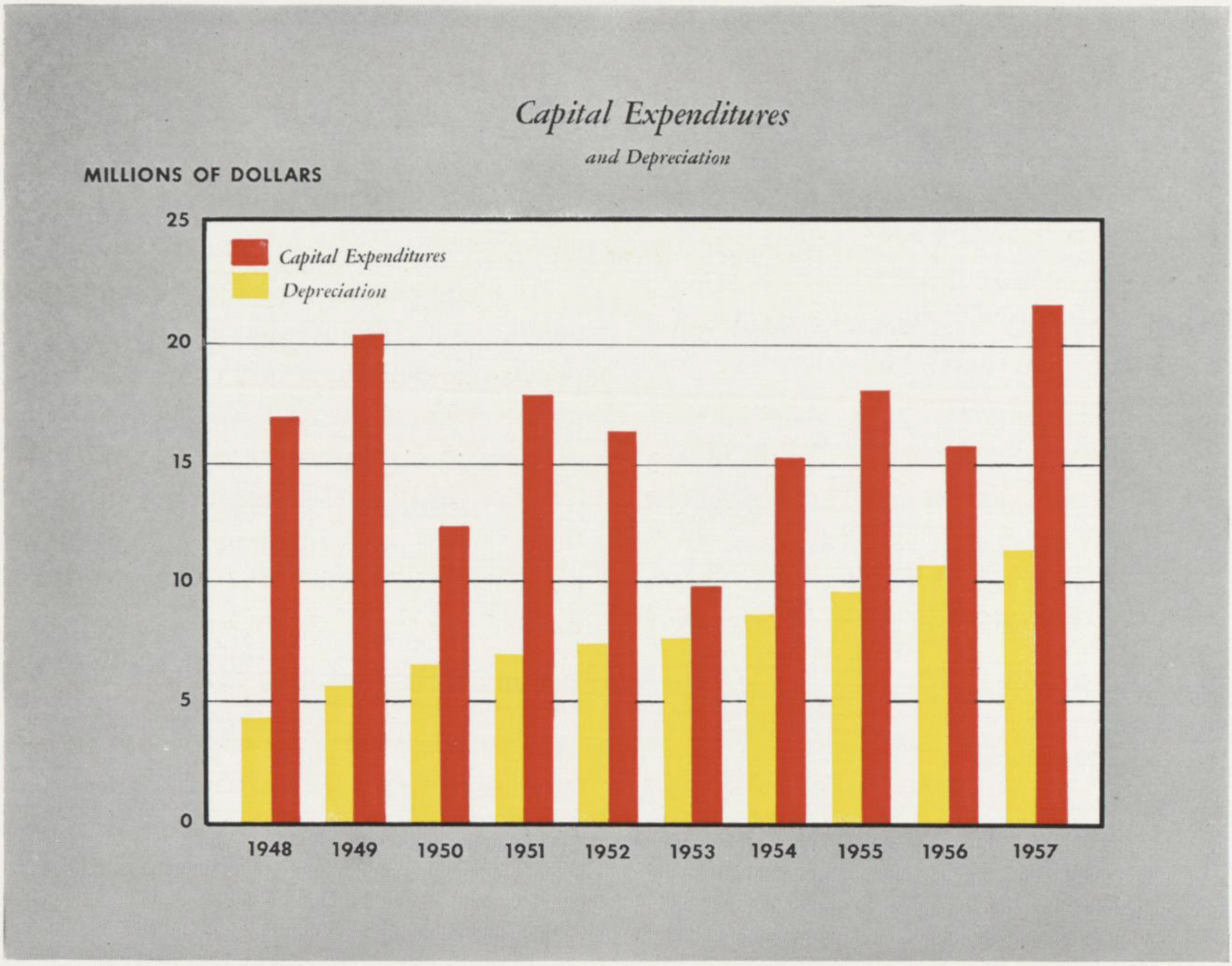
improved products. This program must be a continuing activity, with long-range rather than temporary objectives. To determine and anticipate consumer wants and preferences it is just as necessary to maintain current consumer and market studies as it is to experiment with new materials, formulas and methods in our research laboratories.

During 1957 NABISCO introduced a number of successful new and improved products and packages. We believe that our program for new product development is being steadily improved and additional new cracker and cookie items will make their appearance in 1958.

Among the new varieties which reached the market in 1957 were:

Chippers Potato Crackers — a delightfully different and novel snack cracker. CHIPPERS are made from a combination of potato and wheat flour and their flavor and taste are much like those of potato chips.

Cocoa Grahams — a flavorful blend of rich cocoa and nutritious graham flour has produced a popular new graham cracker mar-



keted in an attractive yellow and brown carton.

Chiparoons Cocoanut Chocolate Drop Cookies — a rich cookie with a home-made taste and appearance, packaged in a satchel-type paper bag which is lined with cellophane.

Veri-Thin Cheese Pretzels — newest addition to our pretzel line, crisp, golden brown pretzels plus the full flavor of aged cheddar cheese.

Peanut Butter Drop Cookies — a short, tender cookie containing generous amounts of quality peanut butter and possessing a pleasant, nut-like taste.

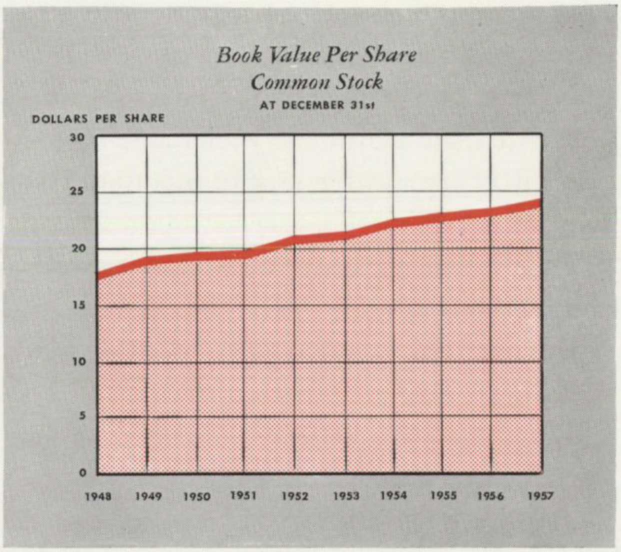
Cheese Tid-Bit Crackers — long a popular Nabisco snack item, now baked from a new and improved formula, in a much larger size, and packaged in a larger carton.

Chocolate Fudge Sandwich — a new and improved version of this variety, featuring a rich, fudge filler and a larger cookie, introduced in a glittering foil bag.

Fig Newtons Cakes and **Mayfair Creme Sandwich** — both familiar Nabisco brand names, now packed in colorful cellophane bags. The FIG NEWTONS package contains two half-pound reclosable cellophane packets, a service feature which has proved extremely popular.

Shareholder Equity

Shareholder equity increased to $157.4 million at December 31, 1957, an increase of $6.3 million from December 31, 1956. This represented an increase in the book value per



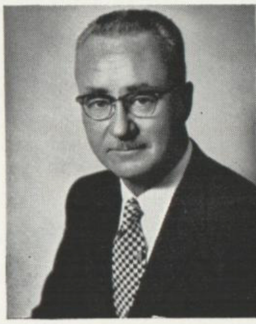
common share outstanding from $23.66 to $24.64.

At the end of 1957 the Company's preferred and common stock was owned by 75,603 shareholders, a record high and an encouraging increase in public ownership.

Dividend payments on the common stock amounted to $14.1 million in 1957, or $2.20 per share. The regular 50 cent quarterly dividend was continued and an extra dividend of 20 cents per share was paid on the common stock in December. Payments on the preferred stock totaled $1.7 million, the regular annual dividend of $7 per share.

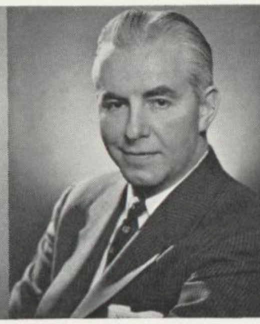
Personnel

Our programs for personnel training and development were intensified during the year and show noticeable progress in widening employee opportunity for advancement. As we grow, the greater becomes our need to recognize the ability and potential of our per-



G. H. COPPERS

E. S. MOORE, Jr.



L. S. BICKMORE

G. A. MITCHELL

R. M. SHULTZ

sonnel, so that we may utilize the best talent available in building organizational depth.

The total amount of salaries and wages paid in 1957 was $124.2 million, compared with $122.5 million in 1956.

Pension costs, including the funding of a portion of past service liability, totaled $5.1 million in 1957, as against $4.9 million in 1956. A total of 245 employees qualified for pensions during the year, and at the end of 1957 there were 2,345 retired employees receiving pensions.

Our group insurance plan provided death benefits to beneficiaries of 188 employees in the amount of $939,000 in 1957. Under our employee benefit plan employees or their dependents received $1,340,000 in 1957 for weekly indemnity, accidental death, and hospital, medical and surgical benefits. The Company and covered employees share the cost of these plans.

Organizational Changes

Several organizational changes were made during the year to strengthen the management of the Company.

Vice Presidents Lee S. Bickmore, George A. Mitchell, and Russell M. Shultz were named to form an executive department with Mr. Coppers and Executive Vice President Edward S. Moore, Jr. Formerly, Mr. Bickmore, Mr. Mitchell and Mr. Shultz headed our sales, finance and operations activities respectively. On October 28, 1957, they were elected Senior Vice Presidents. Possessing a combined total of 96 years of experience with the Company, they are best equipped to work with Mr. Coppers and Mr. Moore in the overall tasks of policy making and future planning.

This move had a second objective. Relieving these men from the day to day routine of administering their departments placed those responsibilities in the hands of younger executives and their assistants, with the resulting benefit of speeding up management development.

On October 28, 1957, Nile E. Cave was elected Vice President for Sales, Advertising and Marketing, C. Eugene Lair was elected Vice President for Purchasing, and Edward A. Otocka was elected Vice President for

Operations, which includes the functions of engineering, production and research.

On the same date, Robert E. Adams was elected Divisional Vice President for the Bread Division, and Frank K. Montgomery, Jr., was elected Divisional Vice President for the Special Products Division.

Howard B. Cunningham, Vice President, retired on March 1, 1957.

International Operations

During the year 1957 the operations of our subsidiary companies reached encouraging levels. The net income of these companies was good and sales of each of the subsidiaries increased over 1956. It is interesting to note that the business of our consolidated foreign subsidiaries now accounts for about 11 per cent of sales and earnings.

Canada: Christie, Brown and Company, Limited, Christie's Bread, Limited, and Nabisco Foods, Limited (Canada) experienced continued sales increases.

To keep pace with the growing bread and cake market in Canada, Christie's Bread, Limited, is expanding its production and distribution facilities by enlarging existing plants and constructing distribution depots. In the early part of 1958 an extension to that company's bread bakery at Welland, Ontario, was completed and a new depot located in the east end of Toronto was placed in service.

In April, 1958, Nabisco Foods, Limited (Canada) will begin production of NABISCO 100% BRAN. Canadian requirements have heretofore been imported from the United States.

More than 380 shareholders attended the Company's 59th Annual Meeting, held last April at the Hotel Commodore in New York City. It was the largest turnout in our history.

England: Nabisco Foods Limited (England) continued to show profitable sales increases in 1957. In April of that year a new bite-sized wheat cereal, CUBS, was launched successfully, receiving immediate consumer acceptance. This company also introduced a line of sponge-type cake mixes in 1957 which has found outstanding favor in England. This new type of cake mix is expected to become the most important of the MARY BAKER products when distribution throughout the entire country has been accomplished. Nabisco Foods Limited has maintained its position as the leading manufacturer of prepared mixes in the United Kingdom.

Venezuela: Sales of Nabisco La Favorita, C. A., improved in 1957. This company changed its method of distribution during the year in certain areas of eastern Venezuela. These changes have proved to be successful and have enabled La Favorita to increase its share of the biscuit and cracker market.

In 1958 this company plans to introduce several important new varieties. Among these will be an appealing group of chocolate-coated cookies.

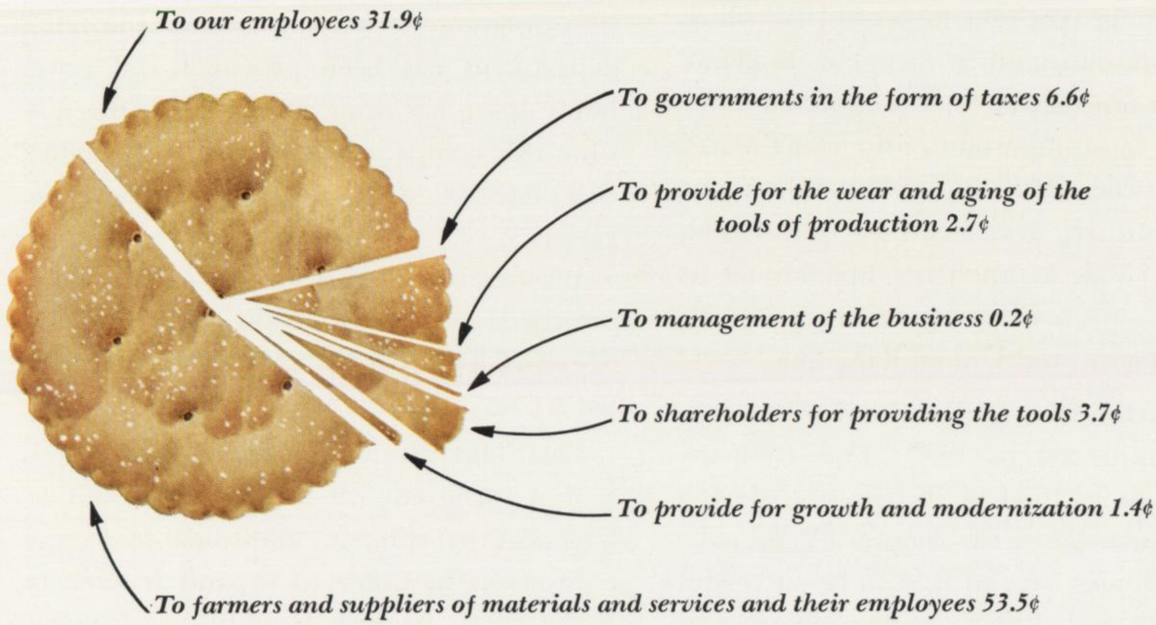
The political upheaval in Venezuela in January, 1958, had no appreciable affect on our operations and there was no damage to our property.

Mexico: Our Mexican subsidiary, Nabisco Famosa, S. A., has completed its plant expansion program. A new sugar wafer and icing department has been provided and warehouse space has been doubled. For the first time this company is equipped to produce chocolate-coated as well as marshmallow varieties.

We can report that no lost time was experienced as a result of the earthquake in Mexico City in July, 1957, and damage to the bakery was slight.

Italy: Our royalty agreement with Motta, S. P. A., of Milan, has been enlarged and we have sent that company additional packaging equipment in order to expand its line of Nabisco merchandise. In addition to its original license to produce RITZ CRACKERS, CHEESE RITZ CRACKERS and PREMIUM SALTINE CRACKERS, Motta, S. P. A., is now manufacturing GRAHAM CRACKERS, several sweet goods varieties and three of our popular snack items.

Each Nabisco Sales Dollar Produced Income:



Summary of Operations—1957

We received from sale of our products	$424,499,033
We expended for	
Raw materials, supplies and services bought from others	226,912,428
Employees' services (wages, pensions, social security taxes, etc.) .	135,560,397
Direct taxes, except social security taxes	28,129,686
Estimated wear and tear on plant and equipment, plus loss on disposal of fixed assets	11,410,207
Officers' salaries for management of the business	743,305
Leaving profits† which were	
Distributed as dividends to the shareholders	$ 15,785,430
Retained in the business for expansion and modernization . . .	5,957,580

†National Biscuit Company also received $309,463 interest and miscellaneous income arising from activities not related to the manufacture or sale of its products.

Financial Position

	December 31, 1957	December 31, 1956
Current assets		
Cash	$ 17,795,160	$ 16,032,536
U. S. Government securities (approximately market)	5,175,500	10,100,000
Other government securities (approximately market)	560,000	630,000
Accounts receivable	14,301,219	12,375,830
Inventories (*a*)	54,212,512	55,950,634
Total current assets	92,044,391	95,089,000
***Less* current liabilities**		
Notes payable to bank (foreign)	800,000	1,000,000
Accounts payable and accrued expenses	22,428,722	20,562,939
Common dividend payable	3,192,980	3,192,980
Reserve for federal and foreign taxes on income	20,494,409	20,233,808
Total current liabilities	46,916,111	44,989,727
Working capital	45,128,280	50,099,273
Investment in foreign subsidiaries, not consolidated	1,440,000	1,440,000
Miscellaneous investments	394,780	463,034
Prepaid expenses and deferred charges	2,168,734	1,622,166
Plants, real estate, machinery and equipment (*b*)	133,045,947	123,286,225
	182,177,741	176,910,698
Less long term notes payable to bank (foreign)	—	1,000,000
Excess of assets over liabilities	$182,177,741	$175,910,698
Represented by		
Capital stock, preferred Par value $100—7% cumulative, noncallable Shares authorized 250,000, issued 248,045	$ 24,804,500	$ 24,804,500
Capital stock, common Par value $10—Shares authorized 12,000,000, issued 6,385,961	63,859,610	63,859,610
Additional paid-in capital	2,593,787	2,593,787
Retained earnings	90,919,844	84,652,801
	$182,177,741	$175,910,698

(Notes to financial statements appear on page 19)

NATIONAL BISCUIT COMPANY AND ITS CONSOLIDATED SUBSIDIARIES

Income and Retained Earnings

	1957	1956
Net sales	$424,499,033	$410,455,124
Cost of sales	259,083,180	251,094,838
Selling, general and administrative expenses	99,908,875	98,761,756
Depreciation	11,235,815	10,459,485
Taxes (other than federal and foreign taxes on income)	7,642,456	7,336,235
Contributions to pension trusts for past service	1,085,699	1,098,391
Interest and miscellaneous income (net)	*309,463*	*153,215*
Loss (or *profit*) on disposal of fixed assets	174,392	*32,356*
Provision for federal and foreign taxes on income	23,625,606	21,603,037
Total	402,446,560	390,168,171
Net income	22,052,473	20,286,953
Retained earnings January 1	84,652,801	58,147,897
Transfer from appropriated retained earnings		
Insurance and contingent reserve	—	3,726,188
Reserve for high-cost plant additions	—	12,000,000
Inventory reserve	—	5,000,000
	106,705,274	99,161,038
Preferred dividends, $7.00 per share	1,736,315	1,736,315
Common dividends, $2.20 per share in 1957, $2.00 per share in 1956	14,049,115	12,771,922
	15,785,430	14,508,237
Retained earnings December 31	$ 90,919,844	$ 84,652,801

Notes to Financial Statements

(*a*) Inventories of raw materials, supplies and finished product are stated at cost or market, whichever is lower. The cost of certain commodities is computed on the last-in, first-out (lifo) method. Inventories comprise

	1957	1956
Raw materials and supplies	$ 38,016,514	$ 39,046,608
Finished products	16,195,998	16,904,026
	$ 54,212,512	$ 55,950,634

(*b*) Plants, real estate, machinery and equipment are stated at cost and comprise

	1957	1956
Land	$ 7,308,625	$ 7,285,773
Buildings	84,041,452	78,749,537
Machinery and equipment	127,460,407	116,095,362
Total	218,810,484	202,130,672
Less allowances for depreciation	85,764,537	78,844,447
	$133,045,947	$123,286,225

(*c*) The financial statements for 1957 include the following U. S. dollar amounts (translated at appropriate rates of exchange) in respect of the four consolidated foreign subsidiaries: working capital and deferred charges, $4,070,867, net plant assets, $14,284,679, and net income, $2,763,687.

Report of Auditors

TO THE SHAREHOLDERS OF
NATIONAL BISCUIT COMPANY:

We have examined the statements of financial position of National Biscuit Company and its consolidated subsidiaries as of December 31, 1957 and 1956, and the related statements of income and retained earnings for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements of financial position and income and retained earnings present fairly the financial position of National Biscuit Company and its consolidated subsidiaries at December 31, 1957 and 1956, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, February 4, 1958

Printed in U.S.A.

NATIONAL BISCUIT COMPANY

425 Park Avenue, New York 22, N. Y.

Board of Directors

Charles C. Auchincloss
William H. Colvin
George H. Coppers
Dudley W. Figgis
Roy C. Gasser
Don G. Mitchell
George A. Mitchell
Edward S. Moore Jr.
Paul Moore
Alexander C. Nagle
Livingston Platt
Carrol M. Shanks
Perry M. Shoemaker
Russell M. Shultz
Roy E. Tomlinson

Executive Committee

Charles C. Auchincloss
George H. Coppers
Edward S. Moore Jr.
Paul Moore
Alexander C. Nagle
Livingston Platt
Roy E. Tomlinson

Officers

Executive Department

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John A. Hart . . . *Vice President*
C. Eugene Lair . . . *Vice President*
Edward A. Otocka . . . *Vice President*
Albert T. Bullock . . . *Secretary and Treasurer*
Charles S. Webster . . . *Controller*

Divisional Vice Presidents

Robert E. Adams . . . *Bread Division*
Frank K. Montgomery Jr. . . . *Special Products Division*

William E. MacKay . . . *General Counsel*

Transfer Agent: Guaranty Trust Company of New York
140 Broadway, New York 15, N. Y.

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Registrar: The First National City Bank of New York
55 Wall Street, New York 15, N. Y.

NABISCO